



N A R U C  
National Association of Regulatory Utility Commissioners

February 17, 2004

Mark Friedrichs, PI-40  
Office of Policy and International Affairs  
U.S. Department of Energy  
Room 1E190  
1000 Independence Avenue, S.W.  
Washington, D.C. 20585

***RE: Proposed Revision of General Guidelines to the Voluntary Reporting of  
Greenhouse Gases (1605b) Program***

Dear Mr. Friedrichs:

The National Association of Regulatory Utility Commissioners ("NARUC") respectfully submits these comments on the Department of Energy's ("DOE") Proposed Revision to the General Guidelines governing the Voluntary Reporting of Greenhouse Gases Program ("VRGGP").

Section 1605(b) of the Energy Policy Act of 1992 (EPACT), 42 U.S.C. 13385(b), directed DOE, with the Energy Information Administration (EIA), to establish a voluntary reporting program and database on emissions of greenhouse gases, reductions of these gases, and carbon sequestration activities. In 1994, Section 1605(b) directed DOE to issue, after notice and public comment, General Guidelines establishing the VRGGP for recording voluntarily submitted data and information on greenhouse gas emissions and the results of actions to reduce, avoid or sequester greenhouse gas emissions. On February 14, 2002, the President directed the Secretary of Energy, in consultation with the Secretary of Commerce, the Secretary of Agriculture, and the Administrator of the Environmental Protection Agency, to propose improvements and to recommend reforms to enhance the current VRGGP.

DOE proposed Revised General Guidelines that, when effective, will modify and replace the 1994 General Guidelines. DOE released the Proposed Revised General Guidelines for the VRGGP for public comment on November 26, 2003. The Proposed Rule was published in the Federal Register on December 5, 2003 (Volume 68, Number 234).

## **INTRODUCTION**

NARUC, founded in 1889, is “the national organization of the State commissions” responsible for economic and safety regulation of the intrastate operation of utilities. Specifically, NARUC’s member commissions have the obligation under State law to ensure the establishment and maintenance of such energy utility services as may be required by the public convenience and necessity as well as to ensure that such services are provided at just and reasonable rates. NARUC’s members include the government agencies in the fifty States, the District of Columbia, Puerto Rico and the Virgin Islands charged with regulating conditions of service of the intrastate operations of electric, natural gas, water, and telephone utilities. Both Congress and the Federal courts have long recognized that NARUC is a proper party to represent the collective interest of State regulatory commissions.

Approximately thirty-two percent of total United States emissions of greenhouse gases are released in the generation of electricity. Since electric power generation is a significant source of greenhouse gas emissions, the adoption of a regulatory proposal to reduce greenhouse emissions could have a significant impact on the financial integrity of electric power generators in the United States as well as the costs of service for electricity consumers. Historically, NARUC’s members have urged that policies governing emissions from all electric power generation (1) minimize environmental impacts, (2) be comprehensive and synchronized to reduce regulatory costs, (3) rely, to the extent possible, on market-based trading mechanisms, and (4) identify, to the extent possible, the net impact of resource decisions, including external factors, on public health, the environment and the economy. NARUC is also committed to assuring that State and federal energy and environmental practices are coordinated and complementary. Our members are central to State and local energy decision-making. Because of their unique mandate to serve the public interest, State commissioners have strong relationships with State and local legislators, other government officials, utilities, and consumers. These relationships give them leverage in discussions with industry focused on developing improved approaches to voluntary CO<sub>2</sub> reporting. All these factors demonstrate that State commissions should be critical to any efforts to further develop and implement voluntary reporting criteria for greenhouse gases. Accordingly, NARUC urges DOE to rely heavily on the expertise and unique experience of the State regulatory utility commissions as reflected in these comments and those filed by any of NARUC’s member commissions.

## **DOE'S PROPOSED REVISIONS TO THE VRGGP GENERAL GUIDELINES**

The Proposed Revisions to the General Guidelines are designed to enhance the measurement accuracy, reliability and verifiability of information reported under the 1605(b) program and to contribute to the President's climate change goals. The specific goals are to: (1) establish revised procedures and reporting requirements for filing voluntary reports and (2) encourage corporations, government agencies, non-profit organizations, households and other private and public entities to submit annual reports of their total entity-side greenhouse gas emissions, net emission reductions, and carbon sequestration that are complete, reliability and consistent. DOE also intends to propose Technical Guidelines that will, when finalized, specify the methods and factors to be used in measuring and estimating greenhouse gas emissions, emissions reductions, and carbon sequestration. NARUC supports an enhanced registry that will encourage participation by increasing confidence that actions are accurately recorded and credited.

NARUC has adopted the following resolutions that outline NARUC support for the VRGGP: (1) *Resolution on Early Action Credits for Greenhouse Gas Mitigation Projects*, NARUC Resolution (February 24, 1999)(*Early Action Credits Resolution*)(Attached); (2) *Resolution on Carbon Sink Inventories*, NARUC Resolution (July 23, 1999)(*Carbon Sink Inventories Resolution*)(Attached); (3) *Resolution on Trading of Green House Gases Credit*, NARUC Resolution (July 23, 1999)(*Trading of GHG Credit Resolution*)(Attached); (4) *Resolution Adopting "Resolution Encouraging the Voluntary Filing of Greenhouse Gas Mitigation Plans by Electric Power Generators"*, NARUC Resolution (July 26, 2000)(*GHG Mitigation Resolution*)(Attached); (5) *Resolution Adopting "NARUC's National Electricity Policy"*, NARUC Resolution (November 14, 2001)(*NEP Resolution*)(Attached); (6) *Resolution to Support Improvements to U.S. Department of Energy's Voluntary Reporting of Greenhouse Gases Program*, NARUC Resolution (July 31, 2002)(*Improvements to VRGGP Resolution*)(Attached).

In particular, the *Early Action Credits Resolution*, the *Carbon Sink Inventories Resolution*, the *Trading of GHG Credit Resolution*, the *GHG Mitigation Resolution*, and the *Improvements to VRGGP Resolution* outline NARUC recommendations for improvements to the VRGGP. These suggestions are discussed below under the relevant sections.

On July 8, 2002, Secretary of Energy Spencer Abraham sent a letter to the President (Secretary of Energy Letter) outlining recommendations to improve the VRGGP. NARUC has endorsed Secretary Abraham's recommendations, which support the development of fair, objective, and practical methods for reporting baselines, reporting boundaries, calculating real results, and awarding transferable credits for actions that lead to real greenhouse gas reductions.<sup>1</sup> The recommendations highlight the need to create standardized, widely accepted, transparent accounting methods, independent verification of registry reports, and to provide credits for a broad range of

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<sup>1</sup> *Improvements to VRGGP Resolution*

actions. These recommendations are also discussed below under the relevant subsections.

## **I. The VRGGP General Guidelines Should Retain Flexibility in Defining Reporting Entities to Encourage the Broadest Range of Participation**

The VRGGP encourages reporting entities to report at the highest level of meaningful financial and operational control.<sup>2</sup> DOE solicits comments on the following: (1) whether the Proposed Guidelines are likely to cause entities to establish boundaries that reflect a higher level of corporate or institutional aggregation, as is desired; (2) what additional provisions might preserve flexibility in the establishment of boundaries while also preventing or further discouraging the shifting of emissions to non-reporting parts of the entity in order to create the appearance of net emission reductions; (3) the desirability of more prescriptive approaches to the definition of entities, such as a requirement that entity definitions correspond to those used for Federal tax purposes; and (4) how the Guidelines might provide the flexibility needed by entities with special circumstances, while discouraging abuses of this flexibility that could produce misleading impressions of entity performance.

NARUC supports the needed flexibility in establishing boundaries in order to encourage the broadest range of entity participation in the VRGGP. Thus, NARUC encourages corporate or entity-wide reporting.<sup>3</sup> However, NARUC recognizes that many important prospective emission reduction actions, such as those relating to sequestration, energy efficiency, small-scale renewable energy, or actions that reduce greenhouse gases other than carbon dioxide may be difficult to accommodate within the context of entity-wide emissions reporting.<sup>4</sup> So, NARUC supports the further clarification of the above issues in the VRGGP Technical Guidelines.

## **II. The VRGGP General Guidelines Should Include Verifiable Emissions Reductions Calculations to Improve Transparency**

To be eligible to register emissions reductions, entities with substantial emissions (an annual average in excess of 10,000 tons of CO<sub>2</sub> equivalent) would need to report annual entity-wide inventories of their emissions and sequestration.<sup>5</sup> The inventory would provide a basis for assessing the significance of reported emission reductions relative to the entity's total emissions. To register emissions reductions, entities with average annual emissions over 10,000 tons of CO<sub>2</sub> equivalent would be required to demonstrate,

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<sup>2</sup> Sections 300.3 and 300.4

<sup>3</sup>Secretary of Energy Letter

<sup>4</sup> *Id.*

<sup>5</sup> Section 300.6

to the maximum extent practicable, that the reported reductions represent an actual net decrease in entity-wide emissions.<sup>6</sup>

Comments are invited on the appropriateness of each of the methods: (1) reductions in emissions intensity; (2) absolute reductions in emissions; (3) increased carbon storage (for actions within entity boundaries); (4) avoided emissions (for actions within entity boundaries that reduce emissions outside entity boundaries); and (5) project emission reductions (for actions taken to reduce direct or indirect emissions within entity boundaries).<sup>7</sup> While the Proposed Revised General Guidelines strongly encourage the use of emission intensity indicators as the basis for determining emission reductions, it permits the use of the other methods to calculate emission reductions and sequestration as long as the method used excludes reductions caused by reductions in output.

NARUC supports an entity-wide inventory and encourages reporters to report greenhouse gas intensity (emissions per unit of output).<sup>8</sup> The entity-wide inventory would provide a basis for assessing the significance of reported emission reductions relative to the entity's total emissions. Reporting emissions inventory allows firms to take growth into consideration and is consistent with the overall goal of achieving an improvement in greenhouse gas intensity by 2012.<sup>9</sup> To verify the intensity measures, reporters will need to submit the data necessary to calculate emissions intensity.<sup>10</sup> NARUC welcomes clarification on the various output indicators and guidance on the selection of appropriate indicators in the VRGGP Technical Guidelines.

### **III. The VRGGP General Guidelines Should Include Specific Guidelines for Small Emitters and for De Minimis Emissions to Reduce Unnecessary Transaction and Administrative Costs**

Entities with average annual emissions of less than 10,000 tons of CO<sub>2</sub> equivalent could report and register emission reductions that have occurred during and after 2003 without submitting the results of an entity-wide emissions inventory or an entity-side assessment of the annual changes in their emissions, avoided emissions and sequestration. The Proposed Revised Guidelines would permit certain entities to exclude emissions from multiple sources (and multiple gases) as long as the total emissions excluded did not exceed 3% of its total emission inventory or 10,000 tons of CO<sub>2</sub> equivalent, whichever was smaller.<sup>11</sup>

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<sup>6</sup> Section 300.7

<sup>7</sup> Section 300.8

<sup>8</sup> Secretary of Energy Letter

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> Section 300.6(e)

Comments are specifically solicited on (1) whether 10,000 tons of CO<sub>2</sub>-equivalent emissions would be the appropriate threshold quantity to achieve objectives; (2) the appropriate period of time over which small entities should be permitted to average their annual emission rates; and (3) whether these special rules for small emitters are appropriate and how to ensure that reductions reported by small emitters are not the result of shifting emissions to non-reporting parts of the entity.

NARUC supports minimizing transaction costs for reporters and administrative costs for DOE, where possible, without compromising the other recommendations.<sup>12</sup> The Proposed Revised General Guidelines provide opportunities for de minimis emissions and small emitters, which may not have the technical expertise or resources necessary to undertake an entity-wide emissions inventory, to demonstrate their contributions by reporting and registering emissions reductions.

#### **IV. The VRGGP General Guidelines Should Allow for Independent Verification of Reports to Increase Reliability**

Under the Proposed Revised General Guidelines, the chief executive officer, agency head, head of household or person responsible for the reporting entity's compliance with environmental regulations would certify that reports are complete, accurate and consistent with DOE guidelines, and that sufficient records will be maintained for at least three years to enable independent verification.<sup>13</sup> Reporting entities are strongly encouraged, but not required, to obtain independent verification of their reports.<sup>14</sup> General guidance on what DOE considers the necessary qualifications of verifiers and the information that they must verify will be provided. This guidance is intended to provide some assurance that such verifiers are independent and appropriately qualified, while still giving entities considerable flexibility in the selection of the type of firm most appropriate to perform such an independent verification. DOE solicits public comment on their approach and on whether further consideration should be given to requiring independent verification of emission reductions prior to registration.

NARUC supports independent verification of emissions registry reports.<sup>15</sup> It is important to ensure that reports are accurately and consistently prepared as well as in compliance with specified accounting rules.<sup>16</sup> Some commentators have submitted that

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<sup>12</sup> Secretary of Energy Letter

<sup>13</sup> Section 300.10

<sup>14</sup> Section 300.11

<sup>15</sup> Secretary of Energy letter

<sup>16</sup> *Id.*

independent verification is necessary if entities seek to sell their registered emission reductions. Thus, requiring independent verification of reports, particularly those that qualify for transferable credits, will enhance the accuracy, acceptability, and credibility of the VRGGP.<sup>17</sup>

## **V. The VRGGP General Guidelines Should Include Objective and Transparent Methods for Reporting Baselines**

Under the Proposed Revised General Guidelines, entities would be permitted to begin reporting their prior-year emissions and emission reductions at any time. In general, the first full year for which an emissions inventory is available would be considered the entity's base year, although DOE would encourage entities to determine their base year by calculating the average emissions or emissions intensity during a base period of up to four years in length. DOE solicits comments on whether this flexibility is appropriate and, if not, what steps might be taken to limit this flexibility.

NARUC supports the development of fair, objective and practical methods for reporting baselines, reporting boundaries, and calculating real results.<sup>18</sup> Developing such methods is central to achieving the objective of "measurement accuracy, reliability, and verifiability," as specified in the February 14, 2002 announcement.<sup>19</sup> NARUC also supports standardization of widely accepted, transparent accounting methods.<sup>20</sup> When the VRGGP was launched in 1994, accounting methods were deliberately flexible to promote broad participation.<sup>21</sup> Since then, a large body of work on corporate and project-level emissions, reductions, and sequestration accounting has been developed.<sup>22</sup> The Proposed Revised General Guidelines should take these methods into consideration and establish a systematic and transparent approach for updating accounting rules as they evolve.<sup>23</sup>

## **VI. The VRGGP General Guidelines Should Recognize Past Actions as an Incentive for Reporters**

Although the Proposed Revised General Guidelines would continue to permit entities to report emission reductions back to 1991 (the earliest year permitted by the authorizing

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<sup>17</sup> *Id.*

<sup>18</sup> Secretary of Energy Letter

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

statute), only reductions that are achieved after 2002 would be registered. Registering only reductions that are achieved after 2002 would focus the program on those reductions most likely to contribute to the achievement of the goal of reducing U.S. emissions intensity by eighteen percent between 2002 and 2012. DOE solicits comments on this approach and any suggestions of alternative means of achieving the objectives.

NARUC supports incentives in the form of early action credits in a VRGGP.<sup>24</sup> The failure to recognize past reductions is a disincentive for parties to take part in voluntary reporting programs. Thus, NARUC advocates the development of a process for evaluating the extent to which past reductions may qualify for credits.<sup>25</sup> A process needs to be developed for evaluating these past efforts against the criteria now being developed for consistent and accurate reporting.<sup>26</sup> The GHG Registry should be kept open and available for all who want to both register and “bank” their CO2 reduction credits as long as the reductions are real and verifiable under the updated 1605(b) Guidelines.

## **VII. The VRGGP Should include Project-Only Reporting to Facilitate Trading**

The Proposed Revised General Guidelines would highlight the net contribution of reporting entities to reducing greenhouse gas emissions, rather than sub-entity reductions resulting from actions taken in only some parts of the entity. In addition, the Proposed Revised Guidelines will continue to provide a mechanism for large emitters to report, but not register, the reductions resulting from individual actions or projects affecting a part of the entity’s emissions, even if they could not demonstrate that they had achieved a net reduction in their total emissions, relative to their physical or economic output. DOE solicits comments on their approach and on possible alternatives, including circumstances under which project-based or sub-entity reductions might be registered in the absence of net entity wide reductions.

The inability to register and/or recognize project-based reductions under the VRGGP would hinder emissions trading. Carbon credit trading will invite maximum participation and provide for the fullest economic benefit to all parties.<sup>27</sup> Although DOE does not have the authority to issue a transferable credit with a value recognized by the Federal government, other voluntary programs recognize transferable credits.<sup>28</sup> Thus, it is in the best economic interest of the stakeholders represented by NARUC membership that this

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<sup>24</sup> *Early Action Credits Resolution*

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> *Trading of GHG Credit Resolution*

<sup>28</sup> NARUC supports awarding transferable credits for actions that lead to real reductions and providing credits for actions to remove carbon dioxide from the atmosphere.



mechanism has an expansive definition and the broadest possible application without unnecessary restrictions and limitations.<sup>29</sup>

### **VIII. The VRGGP Should Include Emissions and Reductions Associated with Electricity Generation and Use**

The Proposed Revised Guidelines would require users to distinguish between the “indirect” emissions associated with electricity purchases and their direct emissions. The Technical Guidance is intended to provide clear direction on how to calculate emission reductions associated with the generation and purchase of electricity. DOE is soliciting suggested approaches as well as specific recommendations on how to most appropriately distinguish between existing and new power production and emissions.

NARUC supports a greenhouse gas mitigation plan that includes the total CO<sub>2</sub> and other greenhouse gas emissions for the year for which the most complete emissions information is available for all sources of electricity for the electric power generator.<sup>30</sup> NARUC also supports a greenhouse gas mitigation plan that discusses the possible impacts on the electric power generator’s system and ratepayers’ costs if international and national climate change regulatory policies comes into effect.<sup>31</sup> NARUC encourages electric power generators to adopt cost-effective measures to mitigate, offset and reduce greenhouse gas emissions associated with electric power generation consistent with accepted scientific findings and current technologies.<sup>32</sup> NARUC supports the development of factors to be used to convert purchased electricity use to a greenhouse gas emission in the VRGGP Technical Guidelines. NARUC also supports clear direction on how to calculate emissions reductions associated with the generation and purchase of electricity in the VRGGP Technical Guidelines.

### **IX. The VRGGP General Guidelines Should Include Inventories of Terrestrial Carbon Stocks**

The Proposed Revised General Guidelines would require entity-wide emission inventories to include emissions and sequestration associated with terrestrial carbon stocks. Changes in the amount of carbon stored in sinks within the entity’s boundaries over the inventory year would determine the quantities of such emissions and sequestration included in inventories. DOE seeks comments on this provision as well as alternatives.

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<sup>29</sup> *Trading of GHG Credit Resolution*

<sup>30</sup> *GHG Mitigation Resolution*

<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

NARUC supports procedures to fully and comprehensively inventory all carbon sources and carbon sinks associated with Land Use and Land Use Change and Forestry (LULUCF).<sup>33</sup> The sequestration of greenhouse gases through LULUCF can provide direct and low-cost mitigation options with considerable environmental and economic benefits including the potential for carbon credits.<sup>34</sup> It would be beneficial to inventory the LULUCF potential of each State in order to more efficiently evaluate the economic impact of a greenhouse gas mitigation strategy.<sup>35</sup> Also, sequestration activities can provide a valuable contribution to meeting the 2012 goal.<sup>36</sup>

## **X. The VRGGP Should Coordinate with other Voluntary Programs**

The Administration intends to use the 1605(b) program to document, where possible, the progress of participants in voluntary Federal programs. DOE is soliciting comment on the merits of using the 1605(b) program for documenting progress of participants in voluntary Federal programs towards meeting their emission reduction goals.

NARUC supports coordination with international strategies and State-level efforts.<sup>37</sup> Public and private domestic approaches should also be closely considered.<sup>38</sup> Since the enhanced registry and reporting program is one piece of a broad domestic effort, it is important to link voluntary programs, such as the Climate Leaders<sup>39</sup> and Business Challenges, with reporting guidelines to encourage consistency between private actions and public goals.<sup>40</sup> There are also various non-governmental organizations which have GHG reporting programs: Chicago Climate Exchange, Climate Neutral Network, Climate Trust, Environmental Defense Partnership for Climate Action, Environmental Resources Trust Registry, Greenhouse Gas Protocol, ICLEI Cities for Climate Protection Campaign, and World Wildlife Fund Climate Savers. In addition, there are international initiatives and international programs in development for reporting GHGs. As per the February 14, 2002 directive, there needs to be careful review of emerging international

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<sup>33</sup> *Carbon Sink Inventories Resolution*

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

<sup>37</sup> Secretary of Energy Letter

<sup>38</sup> *Id.*

<sup>39</sup> Another voluntary Federal GHG reporting program is EPA Climate Leaders, which includes 6 GHGs. This program provides for entity-wide reporting and third-party verification is optional.

<sup>40</sup> Secretary of Energy Letter

approaches, including other national efforts such as those of Australia, Canada, Japan, Denmark, and the United Kingdom (and other Member States of the European Union).<sup>41</sup>

NARUC supports the voluntary filing of greenhouse gas mitigation plans by electric power generators with their overseeing State public utility commission. NARUC recommends that electric power generators voluntary file with their overseeing public utility commission a greenhouse gas mitigation plan discussing the climate change issues and cost implications for ratepayers. The greenhouse gas mitigation plan could be filed in conjunction with VRGGP requirements. There are various States that have instituted voluntary reporting programs to reduce GHG emissions. These States include California,<sup>42</sup> New Hampshire,<sup>43</sup> New Jersey,<sup>44</sup> and Wisconsin.<sup>45</sup> There are also States that are considering instituting voluntary reporting programs. These States include certain Northeastern States<sup>46</sup>, Colorado, Illinois, Maryland, North Carolina, Oregon, Texas, and Washington. The issue of coordination among the differing baselines for the various voluntary programs should be addressed in the VRGGP Technical Guidelines.

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<sup>41</sup> *Id.*

<sup>42</sup> The California Climate Action Registry includes six GHGs. The program provides for entity-wide reporting and third-party verification (certification) is required.

<sup>43</sup> The New Hampshire Voluntary GHG Reductions Registry includes 6 GHGs. The program provides for project-specific reporting and third-party verification or state-conducted verification is required.

<sup>44</sup> The New Jersey Emissions Statement Program, which begins reporting GHGs for the year 2003, includes CO<sub>2</sub> and CH<sub>4</sub>. The program provides for facility reporting and there is a regulatory review as to verification.

<sup>45</sup> The Wisconsin Voluntary Emission Reduction Registry includes 6 GHGs and other gases. The program provides for project, facility, or groups of facilities reporting. Verification is provided for by self-certification and third-party verification is optional.

<sup>46</sup> The Northeast Climate Action Registry (NESCUM) would include Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.

## **CONCLUSION**

NARUC respectfully urges DOE to consider the positions outlined above.

Respectfully submitted,

\_\_\_\_\_/s/\_\_\_\_

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February 17, 2004

***Resolution on Early Action Credits for Greenhouse Gas Mitigation Projects***

**WHEREAS**, The National Association of Regulatory Utilities Commissioners (NARUC) has supported the concept of Joint Implementation under the Framework Convention on Global Climate Change since the first conference of the parties to the convention; and

**WHEREAS**, Greenhouse gas reductions through voluntary mitigation actions are currently reported to the U.S. Department of Energy under the provisions of section 1605(b); and

**WHEREAS**, At present domestic recognition is not available for early action greenhouse gas mitigation projects; and

**WHEREAS**, At present recognition for activities approved through the U.S. Initiative on Joint Implementation (USIJI) are not available internationally; now, therefore, be it

**RESOLVED**, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened at its 1999 Winter Meetings in Washington, D.C., asks the Congress to provide the legal basis for early action credits in the form of legislation.

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*Sponsored by the Committee on Energy Resources and the Environment  
Adopted February 24, 1999*

***Resolution on Carbon Sink Inventories***

**WHEREAS**, The National Association of Regulatory Utility Commissioners (NARUC) has supported the concept on maximum flexibility for greenhouse gas mitigation strategies under any international agreement, and

**WHEREAS**, The Kyoto Protocol and the Buenos Aires Action Plan provide for the potential inclusion of activities related to Land Use and Land Use Change and Forestry (LULUCF) in participating country carbon budgets, and

**WHEREAS**, The sequestration of greenhouse gases through LULUCF can provide direct and low-cost mitigation options with considerable environmental and economic benefits including the potential for carbon credits, and

**WHEREAS**, It would be beneficial to inventory the LULUCF potential of each State in order to more efficiently evaluate the economic impact of potential greenhouse gas mitigation strategy development; *now therefore be it*

**RESOLVED**, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened in its 1999 Summer Meeting in San Francisco, California, urges its member States to fully and comprehensively inventory all carbon sources and carbon sinks associated with Land Use and Land Use Change and Forestry.

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*Sponsored by the Committees on International Relations and Energy Resources & the Environment*

*Adopted by the NARUC Board of Directors July 23, 1999*

## ***Resolution on Trading of Green House Gases Credit***

**WHEREAS**, The National Association of Regulatory Utility Commissioners (NARUC) has supported the concept of maximum flexibility for greenhouse gas mitigation strategies under any international agreement; and

**WHEREAS**, The Kyoto Protocol and the Buenos Aires Action Plan contain flexibility mechanisms including Joint Implementation, the Clean Development Mechanism and International Trading of green house gases credit; and

**WHEREAS**, Joint Implementation and the Clean Development Mechanism were a focal point of considerable international debate at recently convened meetings of the Subsidiary Bodies to the United Nations Framework Convention on Climate Change in Bonn, Germany; and

**WHEREAS**, The third mechanism, the International Trading of green house gas assigned amounts, promises the largest economic potential for substantial cost reductions for any greenhouse mitigation strategy; and

**WHEREAS**, It is in the best economic interest of the stakeholders represented by the NARUC membership that this mechanism have an expansive definition and the broadest possible application without unnecessary restrictions and limitations; *now therefore be it*

**RESOLVED**, That the Board of Directors of the National Association of Regulatory Commissioners (NARUC), convened in its 1999 Summer Meeting in San Francisco, California, urges the parties to the United Nations Framework Convention on Climate Change at the Fifth Conference of the Parties to make clear that their forthcoming decision on carbon credit trading will invite maximum participation and provide for the fullest economic benefit to all parties.

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*Sponsored by the Committees on International Relations and Energy Resources & the Environment*

*Adopted by the NARUC Board of Directors July 23, 1999*

***Resolution Encouraging the Voluntary Filing of Greenhouse Gas Mitigation Plans  
by Electric Power Generators***

**WHEREAS**, The atmospheric concentration of carbon dioxide (“CO<sub>2</sub>”) and other so-called greenhouse gases has increased and such increases can change the Earth’s climate; and

**WHEREAS**, Human actions contribute to the increased atmospheric concentration of greenhouse gases; and

**WHEREAS**, There are many international and national regulatory proposals to reduce greenhouse gas emissions; and

**WHEREAS**, Electric power generation is a large source of greenhouse gas emissions and the adoption of a regulatory proposal to reduce greenhouse emissions could have a significant impact on ratepayers, cooperative members and shareholders of electric power generators in the United States; and

**WHEREAS**, Because CO<sub>2</sub> emissions are currently not regulated, there remains considerable uncertainty regarding what the final, or even interim, greenhouse gas emissions reduction policies will be and how they will effect greenhouse gas emitting industries like the electric power industry, let alone individual electric power generators; and

**WHEREAS**, Despite the uncertainty regarding the adoption and design of any greenhouse gas emission reduction requirement, the fact that such reduction requirements could have a significant impact on electricity consumers and ratepayers means that public utility commissions need to be informed of the possible consequences and impacts on ratepayers; *now therefore be it*

**RESOLVED**, That the Board of Directors of the National Association of Regulatory Utility Commissioners (“NARUC”) convened in its 2000 Summer Meeting in Los Angeles, California, recommends that electric power generators should voluntarily file with their overseeing public utility commission a greenhouse gas mitigation plan discussing the climate change issues and cost implications for ratepayers; and be it further

**RESOLVED**, That the greenhouse gas mitigation plan could discuss:

1. Total CO<sub>2</sub> and other greenhouse gas emissions for 1990 and the year for which the most complete emissions information is available for all sources of electricity for the electric power generator.
2. Possible impacts on the electric power generator’s system and ratepayer costs if international and national climate change regulatory policies:



- A. Promote unrestricted emissions trading and/or carbon sequestration possibilities to meet any CO2 emissions reduction requirement;
  - B. Permit but restrict or limit emission trading and/or carbon sequestration possibilities to meet any CO2 emissions reduction requirement; or
  - C. Prevent emission trading and/or use of carbon sequestration possibilities to meet any CO2 emissions reduction requirement.
  - D. In discussing these possible impacts, the electric power generator could describe how various CO2 emission reduction levels change the impacts.
- 3. How the timing of CO2 emissions reduction requirements may affect the electric power generator's system and ratepayer costs.
  - 4. How other factors, such as technological advances, conservation efforts or fuel conversions could impact the electric power generator's system and/or ratepayer costs.
  - 5. Those actions taken by the electric power generator regarding climate change and additional actions that appear prudent in response to developing international and national climate policies. This portion of the filing could describe industry and industry-approved climate change initiatives, i.e. EPRI's Climate Change Targets and the Department of Energy's Climate Challenge Program, and how the electric power generator views such programs; *and be it further*

**RESOLVED**, That although it is important to educate public utility commissions on the possible consequences of possible greenhouse gas emission reduction policies, and to assure that electric power generators are prepared for the possible adoption of any such policy, the regulatory uncertainty surrounding greenhouse gas emissions reduction requirements means that it may not be in the best interest of ratepayers, cooperative members or shareholders for electric power generators to take, or be required to take without financial recovery, uneconomic steps to reduce greenhouse gas emissions at this time; *and be it further*

**RESOLVED**, That NARUC encourages electric power generators to adopt cost-effective measures to mitigate, offset and reduce greenhouse gas emissions associated with electric power generation consistent with accepted scientific findings and current technologies.

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*Sponsored by the Committee on Energy Resources and the Environment.  
Adopted by the NARUC Board of Directors July 26, 2000*

***Resolution Adopting NARUC's National Electricity Policy***

**WHEREAS**, The Administration and Congress are addressing national energy policy issues, more specifically electricity policy issues, which will potentially impact retail consumers; *and*

**WHEREAS**, The NARUC Electricity and Energy Resources and the Environment Committees both developed valuable but different papers on electricity policy; *and*

**WHEREAS**, NARUC's Board of Directors created an ad hoc committee of commissioners and staff to blend the two policy papers; *and*

**WHEREAS**, This ad hoc committee, led by Commissioners Judy Jones and Edward Garvey, conducted an open and inclusive collaborative blending process; *and*

**WHEREAS**, Countless hours were devoted by numerous commissioners and staff to the blending process and produced the attached "NARUC's National Electricity Policy"; *now therefore be it*

**RESOLVED**, That the National Association of Regulatory Utility Commissioners (NARUC) convened in its November 2001 113<sup>th</sup> Annual Convention in Philadelphia, Pennsylvania, adopts the attached NARUC's National Electricity Policy.

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*Sponsored by the Committees on Electricity and Energy Resources and the Environment.  
Recommended by the NARUC Board of Directors November 13, 2001.  
Adopted in Convention November 14, 2001.*

# **NARUC's National Electricity Policy**

## **I. GENERAL PRINCIPLES**

The nation's energy policy should assure adequate, reasonably priced, reliable, safe, and environmentally sound electricity. To achieve this goal, Federal legislation should:

1. Encourage additional fuel- and technology-diverse supply resources to meet the nation's growing energy demands;
2. Promote demand-side management to achieve the most efficient use of electricity;
3. Provide for reliability standards and their enforcement;
4. Assure open and effective regional wholesale markets;
5. Minimize the environmental impacts of energy generation, delivery and use; and
6. Respect, preserve and strengthen the States' traditional roles in regulating distribution systems, planning, siting approval, reliability assurance, and consumer protection.

## **II. DIVERSE, PLENTIFUL AND ENVIRONMENTALLY RESPONSIBLE ENERGY SUPPLIES**

- A. Congress should encourage environmentally responsible electricity generation and the increased use of renewable energy technologies as a tool to achieve fuel diversity and greater energy security.
- B. Congress should encourage domestic exploration and production of new natural gas supplies and expansion of natural gas transmission and delivery infrastructure in an environmentally sound manner at reasonable costs, but should avoid an over-reliance on natural gas for new electric generation.
- C. Coal fuels a significant portion of the nation's electric power and is expected to do so for the foreseeable future. However, because of coal's air emissions, it is important that Congress and States work together to reduce such air emissions and encourage development of low-polluting central station generation, including clean-coal technology.
- D. Congress or the Administration should increase the efficiency for licensing and relicensing processes of hydroelectric and nuclear facilities, without compromising substantive environmental and safety standards.
- E. Although nuclear facilities create long-term radioactive waste problems, they should continue to play an important part of our national electric supply portfolio because

they provide a significant portion of the nation's electricity supply and do not produce air emissions.

- F. Congress needs to fulfill its commitment to provide the long-term storage of spent nuclear fuel very quickly. To accomplish this, Congress should ensure that the Nuclear Waste Fund revenue and appropriations are managed responsibly and used only for the establishment of a permanent repository. Pending development of a permanent repository, it is better to store spent fuel at one (or more) central location(s) on an interim basis than to leave it at reactor sites.
- G. The States support ongoing and renewed efforts to maintain the security of nuclear power plants and prevent the proliferation of weapons-grade byproducts.
- H. Congress should enact legislation to lift the Public Utility Regulatory Policies Act's mandatory purchase requirement, but should allow the States to determine appropriate measures to protect the public interest in resource acquisition and to address mitigation and cost recovery issues associated with these contracts.

## **I. DEMAND MANAGEMENT**

- A. Congress should promote energy efficiency programs through increased funding, tax credits, and the setting of increasingly more efficient national building codes and standards for motors, lighting and appliances.
- B. Congress should promote planning strategies for maintaining a proper balance between supply and load that includes demand-side management techniques (including price-responsive demand mechanisms), intermittent and renewable resources, conservation/energy efficiency programs, as well as traditional supply and transmission options.
- C. Congress should continue to provide funding for energy efficiency and conservation for low and moderate income consumers through programs that provide education, weatherization, housing improvements, installation of higher efficiency appliances, and similar usage reduction measures.

## **II. RTOS, RELIABILITY, PLANNING & DELIVERY INFRASTRUCTURE**

### **A. Regional Transmissions Organizations**

- 1. Congress should require the FERC, in cooperation with the States, to determine boundaries, structure, and functions for regional transmission organizations (RTO).
- 2. Congress should require the FERC to give RTOs sufficient authority to perform regional grid management, expansion, and efficient system operations that are built and operated in the most economical, reliable and environmentally acceptable way to

realize short-term as well as long-term reliability and facilitate efficient wholesale market transactions.

3. Congress should require the FERC to recognize States' rights to active participation in RTO governance. This would include development (and revision) of market rules, reliability and planning, access to RTO market monitoring information, development, with federal authorities, of market power mitigation programs.

#### B. Long-term planning

1. Congress should require that RTOs or other regional bodies have sufficient authority to conduct long term planning for their regions and, working with the States and transmission owners, implement long-term planning that should:
  - (a) Take into account fuel diversity including renewables resources;
  - (b) Recognize the need for new investment in generation and transmission facilities that provides adequate reserve margins;
  - (c) Assure that reliability is not compromised by resource imbalances;
  - (d) Reduce any decisional role for entities with unreasonable generation or transmission market power;
  - (e) Include broad public participation and collaboration among market participants and third party participation in offering competitive alternatives such as demand-side and distributed generation options;
  - (f) Develop a cost allocation method that is objective, non-discriminatory, weighs environmental and societal risk, and associates costs with benefits;
  - (g) Allow the use of competition, subject to appropriate regulatory oversight, to encourage robust wholesale markets; and
  - (h) Assure adequate resources in all regions of the nation.
2. Congress should support the States' authority over local distribution utilities to provide interconnection arrangements for self-generation and generation units that utilize the local distribution network.

#### C. Reliability

1. Congress should mandate compliance with industry-developed reliability standards on the bulk power system that includes adequate reserve margins and preserves the authority of the States to set more rigorous standards when deemed to be in the public interest.
2. Congress should ensure that States continue to have the authority to establish effective price signals that allow consumers to choose alternative levels of reliability and power quality.

#### D. Delivery Infrastructure

1. States should retain authority to site electric facilities, while Congress should support the States' authority to negotiate and enter into cooperative agreements or compacts with federal agencies and other States to facilitate the siting and construction of electric transmission facilities as well as to consider alternative solutions to such facilities, such as distributed generation and energy efficiency.
2. Congress should pursue policies that promote and ensure pipeline safety, and streamline existing siting processes to increase administrative efficiency, including the coordination of all federal, State and local participation in these processes, without compromising substantive environmental and safety standards.

### III. ENERGY MARKETS

#### A. Access to Information

1. Congress should recognize that States implementing competitive retail markets and those with traditional regulatory structures, and Federal, State and regional agencies and organizations overseeing the development of wholesale energy markets require comprehensive and timely market information. Congress should adopt policies that safeguard public access to information necessary to enable the monitoring of these markets, while also providing protection for information demonstrated to be commercially, or otherwise, sensitive.

#### B. Retail Markets

1. Congress should not interfere with the States' authority over all aspects of retail service including the authority to determine just and reasonable retail rates, and those retail rates designed to encourage reductions in peak demand and to encourage demand-side management options.
2. Congress should not mandate retail electricity competition.

#### C. Wholesale Markets

1. Congress should require the FERC to promulgate clear and consistently applied market rules that foster investment in generation, transmission and demand-side management resources.
2. Congress should mandate effective and independent monitoring of the wholesale electricity markets and empower the relevant States and federal agencies with

authority to investigate, enforce, and remedy problems resulting from the exercise of market power or other abusive behavior that distorts market operations. Such remedies should include the use of structural remedies, codes of conduct, or affiliate rules.

3. Congress should preserve a State's ability to require that a utility's retained generation be used to serve native load.

#### **IV. ENVIRONMENTAL PROTECTION**

- A. Congress should assure that State and federal energy and environmental policies be coordinated and complementary.
- B. Congress should address all air emissions from all electric power generation in ways that: 1) minimize adverse environmental impacts; 2) are comprehensive and synchronized to reduce regulatory costs; 3) rely, to the extent possible, on market-based trading mechanisms, and 4) identify, to the extent possible, the net impact of resource decisions, including external factors, on public health, the environment and the economy.
- C. Congress should assist States and utilities to establish programs to phase out power plants grandfathered under the Clean Air Act with facilities that utilize clean coal technology or by other means, in a way that preserves the integrity of the bulk power system and minimizes the economic impact on local areas.

#### **VII. CONSUMER PROTECTION**

- A. Congress should not limit State authority to prescribe and enforce laws, regulations or procedures regarding consumer protection.
- B. Congress should reinforce the States' authority to require all load serving entities to disclose generation sources and accompanying environmental impacts.
- C. Congress should address the preservation of public benefits in any electric industry restructuring legislation. Societal costs and benefits should be studied prior to the adoption of any particular implementation or funding mechanism.
- D. Congress should require regional transmission organizations, system operators, reliability counsels and other regional agencies to adopt policies that allow public access to information necessary to enable adequate monitoring of energy markets, while also providing protection for information demonstrated to be commercially sensitive.
- E. Congress should reform the Public Utility Holding Company Act (PUHCA), but, in doing so, should allow the States to protect the public through maintaining effective oversight of holding company practices and expanding State access to holding

company books and records, independent of any similar authorities granted to the federal regulatory bodies.



***Resolution to Support Improvements to U.S. Department of Energy's Voluntary Reporting of Greenhouse Gases Program***

WHEREAS, The U.S. Department of Energy's Voluntary Reporting of Greenhouse Gases Program (VRGGP), created pursuant to the 1992 Energy Policy Act and managed by the Department of Energy's Energy Information Administration (EIA), has been operational since 1994; and

WHEREAS, U.S. Department of Energy (DOE), in consultation with the U.S. Environmental Protection Agency and the U.S. Department of Agriculture, began a comprehensive review of the current voluntary emissions reduction registration program under section 1605 (b) of the 1992 Energy Policy Act. The comprehensive review was designed to enhance measurement accuracy, reliability, and verifiability, working with and taking into account emerging domestic and international approaches; and

WHEREAS, The comprehensive review of 1605 (b) was designed to explore reforms to ensure that businesses and individuals that register emission reductions are not penalized under future climate policy and to give transferable credits to companies that can show real emission reductions; and

WHEREAS, On July 26, 2000, NARUC adopted a resolution entitled, "*Resolution Encouraging the Voluntary Filing of Greenhouse Gas Mitigation Plans by Electric Power Generators* " which supports the voluntary reporting of greenhouse gas emissions; and

WHEREAS, The U.S. Secretary of Energy on July 8, 2002, sent a letter to President Bush outlining recommendations to improve the Department of Energy's Voluntary Reporting of Greenhouse Gases Program. The recommendations support the development of fair, objective, and practical methods for reporting baselines, reporting boundaries, calculating real results, and awarding transferable credits for actions that lead to real GHG reductions; now therefore be it

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners, convened at its July 2002 Summer Meeting in Portland, Oregon, endorses the attached recommendations of Secretary Abraham, as outlined in his July 8, 2002 letter to President Bush, to improve the Department of Energy's Voluntary Reporting of Greenhouse Gases program; and be it further

RESOLVED, That the NARUC recognizes that State public utility commissions play an important role in the further development and implementation of voluntary reporting of greenhouse gases, especially as it relates to the development of greenhouse gas trading protocols.

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Adopted by the NARUC Board of Directors July 31, 2002*